

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-07
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01
LAB-04 SIL-01 OMB-01 L-03 /059 W
-----151735Z 050229 /50
R 151557Z FEB 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 0210
INFO USDOC

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 1283

E.O. 11652: GDS
TAGS: EINV, PO
SUBJECT: INVESTOR DISPUTE: LATRIQUE

REF: A) LISBON 869, B) STATE 16770, C) LISBON 475

1. RE PARA 4 REF B: COMMATT TOLD LABOR MINISTRY CONSULTANT HARPSOE OF USG CONCERN THAT NO PRECIPITATE ACTION BE TAKEN AGAINST LATRIQUE (AND CONLUS) BEFORE DISCUSSIONS CAN BEGIN AMONG GOP, CONSET AND LATRIQUE. HARPSOE REPORTS THAT HE MENTIONED THIS TO MINISTER CURTO DURING MEETING WEEK OF JAN 31 - FEB 4.

2. GOP DRAFT LAW REGULATING WORKER-CONTROLLED FIRMS, WHICH CONTAINS STRENGTHENED ADMINISTRATIVE BANKRUPTCY CLAUSE, NOT YET OFFICIALLY PRESENTED TO ASSEMBLY FOR APPROVAL. THUS THIS DRAFT MAY NOT BECOME LAW FOR AT LEAST ONE MONTH. EMBASSY DOES NOT BELIEVE LATRQUE WILL BE ADMINISTRATIVELY DECLARED BANKRUPT BEFORE THEM.

3. LABOR MINISTRY CONSULTANT HAS NO CONCRETE INFORMATION ABOUT BANCO ESPIRITO SANTO (BESCL) POLICY ON OUTSTANDING DOLLAR DEBT OF LATRIQUE. ACCORDING HARPSOE, LATRIQUE U.S. HAD GUARANTEED ESPIRITO SANTO LOAN TO LATRIQUE PORTUGAL AND, THEREFORE, BANK IS NOW ATTEMPTING SUE FOR PAYMENT IN U.S.
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(COMMENT: BESCL HAS SIMILAR SUIT AGAINST APPLIED MAGNETICS IN CALIFORNIA). DIRECT INQUIRY TO BESCL THUS FAR UNSUCCESSFUL; BANK HAS REQUESTED OFFICIAL WRITTEN REQUEST FROM EMBASSY FOR INFORMATION.

4. CONSET (HARPSOE) HAS SENT FOLLOWING LETTER TO LATRIQUE IN NEW YORK:

BEGIN QUOTE:

THROUGH THE FUNDO DE FOMENTO DE EXPORTACAO IN NEW YORK AND YOUR STATE DEPARTMENT YOU WILL HAVE RECEIVED A FIRST NOTICE OF THE PROCEEDINGS WE ARE UNDERTAKING, IN AN EFFORT TO PUT THE FACTORY TO WORK AGAIN, MAINLY WITH THE PURPOSE OF SECURING THE EMPLOYMENT AND TO HELP RESTORE THE ECONOMY OF THE COUNTRY.

WE ENCLOSE SOME GENERAL INFORMATION, PART OF WHICH IS IN ENGLISH AND PART IN PORTUGUESE, WHICH TIME HAS NOT ALLOWED US TO TRANSLATE. IF YOU SHOULD ENCOUNTER ANY DIFFICULTIES, PLEASE LET US KNOW, AND WE SHALL PROCEED WITH THE TRANSLATIONS.

FROM THE FINANCIAL SHEETS YOU WILL OBSERVE THAT, ACCORDING TO THE BOOKS, YOU ARE LEFT WITH A DEBT OF ABOUT FOURTEEN MILLION ESCUDOS, WHICH AMOUNT WILL BE INCREASED FURTHER WITH A LOAN OF THREE MILLION ESCUDOS TAKEN ON BY THE FIRM THROUGH ITS WORKERS COMMITTEE, AND INDEMNIZATIONS TO THE STAFF, IN CASE THE FIRM CLOSES. EVEN IF THIS DEBT COULD ONLY BE TAKEN OUT OF YOUR CAPITAL IN THE FIRM, WE ARE MADE TO UNDERSTAND THAT YOUR FIRM IN THE U.S. HAS UNDERWRITTEN CERTAIN GUARANTEES, WHICH SHOULD MAKE IT PREFERABLE FOR YOU TO LOOK FOR A SOLUTION WHICH COULD PROVIDE A CLEAN TABLE.

THE BANCO ESPIRITO SANTO E COMERCIAL DE LISBOA IS
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VERY ATTENTIVE TO OUR EFFORTS, AND AGREE WITH US THAT THE FOLLOWING SOLUTION SEEMS TO BE THE ONLY PRACTICAL WAY OUT, AS LONG AS WE WANT TO AVOID APPLYING THE D-L 4/76 TO FORCE A BANKRUPTCY.

1. THE COOPERATIVA DE TRABALHOS DA INDUSTRIA TEXTIL, S.A.R.L., UNDERTAKE TO FULFILL THE OBLIGATIONS EMANATING FROM THIS SETTLEMENT.

2. YOUR DEBT SHOULD BE SETTLED THROUGH A COMMON EFFORT BETWEEN YOU AND US, AND WE WOULD EXPECT FROM YOUR SIDE A GREAT ENDEAVOR IN HANDLING THE SALES FROM THIS FACTORY ON THE U.S. MARKET, AND SACRIFICES WILL BE NEEDED FROM BOTH SIDES, IN ORDER TO ENABLE US TO MAKE THE NECESSARY PROVISIONS FOR AMORTIZING THIS DEBT.

3. IN THE MEANTIME, THE CREDITS TO THIRD PERSONS SHOULD BE CONVERTED, EITHER INTO SHARE CAPITAL OR INTO LONG TERMED LOANS, FREE OF INTEREST, TO BE AMORTIZED

WITH TEN PERCENT PER YEAR, THE SHARE CAPITAL AFTER THE
11TH YEAR, AND THE LOANS AFTER THE 16TH YEAR.

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4. A NEW FINANCING MUST BE ARRANGED TO COVER THE
DEBT TO THE STATE, THE WAGES OWED TO THE WORKERS AND FOR
GOING THROUGH WITH THE REORGANIZATION. END QUOTE.

5. COMMENT: FYI. ABOVE LETTER DIFFERS SOMEWHAT FROM
PROPOSAL RELAYED BY COMMATT IN REF C. LETTER MAKES
NO REFERENCE TO PAYMENT TO LATRIQUE U.S. FOR LEASE OF
EQUIPMENT AND PLANT. ACCORDING HARPSOE, ESCROW PAYMENT
CAN GO ONLY TO WORKERS COMMISSION OF LATRIQUE, WHICH IS
ONLY ENTITY OFFICIALLY SANCTIONED BY GOP TO OPERATE FIRM.
ALSO, LETTER APPEARS TO MAKE LATRIQUE U.S. RESPONSIBLE
FOR 3 MILLION ESCUDO LOAN FROM BESCL TO LATRIQUE AFTER
U.S. OWNERS LEFT PORTUGAL. EMBASSY CERTAIN LATRIQUE
U.S. WILL REFUSE TAKE RESPONSIBILITY FOR THIS DEBT. GUARAN-
TEES MENTIONED IN PARA 3 OF LETTER EVIDENTLY IS LATRIQUE
U.S. GUARANTEE TO BESCL.

6. LETTER APPEARS TO EXPRESS HARD LINE AND MAKE FAR
MORE DEMANDS THAN CONCESSIONS. PART OF HARD LINE
APPEARANCE IS DUE TO LACK OF COMPLETE FLUENCY IN ENGLISH,
BUT ALSO HARPSOE BELIEVES THAT LATRIQUE U.S. RECOGNIZES
ITS MORAL AS WELL AS LEGAL OBLIGATION TO FULFILL
GUARANTEE. HE PLANS TO VISIT LATRIQUE PERSONALLY IN
NEAR FUTURE TO DISCUSS RESOLUTION OF DISPUTE.
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7. WHILE IT APPEARS THAT LATRIQUE PORTUGUESA AND BESCL HAVE BANKER-CLIENT RELATIONSHIP, COMMATT HAS SOME INDICATION THAT BESCL (AS A BANK) OR ESPIRITO SANTO FAMILY (PERSONALLY) MAY HAVE BEEN PARTNERS IN LATRIQUE PORTUGUESA. IF TRUE, THIS COMPLICATES MATTER SIGNIFICANTLY, ESPECIALLY FROM VALE VIEWPOINT. CARLUCCI

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISPUTE SETTLEMENT, CONSULTANTS, MEETINGS, BUSINESS FIRMS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON01283
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770053-1016
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770241/aaaabkfo.tel
Line Count: 181
Litigation Code IDs:
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Litigation History:
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Message ID: e440cec6-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
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Original Previous Classification: n/a
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3321390
Secure: OPEN
Status: NATIVE
Subject: INVESTOR DISPUTE: LATRIQUE
TAGS: EINV, PO, LATRIQUE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e440cec6-c288-dd11-92da-001cc4696bcc
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